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Please find below and/or attached an Office communication concerning this application or proceeding.

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**BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES**

Application Number: 09/740,930
Filing Date: December 21, 2000
Appellant(s): AUSUBEL ET AL.

Stanley B. Green
For Appellant

SUPPLEMENTAL EXAMINER'S ANSWER

This is in response to the appeal brief filed 10/26/2006 appealing from the Office action mailed 3/09/2006.

This Supplemental Examiner's Answer contains a new ground of rejection set forth below.

Appellant must within **TWO MONTHS** from the date of this Supplemental Examiner's Answer exercise one of the following two options to avoid *sua sponte* **dismissal of the appeal** as to the claims subject to the new ground of rejection:

(1) **Reopen prosecution.** Request that prosecution be reopened before the primary examiner by filing a reply under 37 CFR 1.111 with or without amendment, affidavit or other evidence. Any amendment, affidavit or other evidence must be relevant to the new grounds of rejection. A request that complies with 37 CFR 41.39(b)(1) will be entered and considered. Any request that prosecution be reopened will be treated as a request to withdraw the appeal.

(2) **Maintain appeal.** Request that the appeal be maintained by filing a reply brief as set forth in 37 CFR 41.41. Such a reply brief must address each new ground of rejection as set forth in 37 CFR 41.37(c)(1)(vii) and should be in compliance with the other requirements of 37 CFR 41.37(c). If a reply brief filed pursuant to 37 CFR 41.39(b)(2) is accompanied by any amendment, affidavit or other evidence, it shall be treated as a request that prosecution be reopened before the primary examiner under 37 CFR 41.39(b)(1).

Extensions of time under 37 CFR 1.136(a) are not applicable to the TWO MONTH time period set forth above. See 37 CFR 1.136(b) for extensions of time to reply for patent applications and 37 CFR 1.550(c) for extensions of time to reply for ex parte reexamination proceedings.

(1) Real Party in Interest

A statement identifying by name the real party in interest is contained in the brief.

(2) Related Appeals and Interferences

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

(3) Status of Claims

The statement of the status of claims contained in the brief is correct.

(4) Status of Amendments After Final

The appellant's statement of the status of amendments after final rejection contained in the brief is correct.

(5) Summary of Claimed Subject Matter

The summary of claimed subject matter contained in the brief is correct.

(6) Grounds of Rejection to be Reviewed on Appeal

The appellant's statement of the grounds of rejection to be reviewed on appeal is correct. The changes are as follow. Claims 51-74, 99, 101, 103 and 104 are now rejected under 35 U.S.C. 101.

NEW GROUND(S) OF REJECTION

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 51-74, 99, 101, 103 and 104 are rejected under 35 U.S.C. 101. Based on Supreme Court precedent and recent Federal Circuit decisions, the Office's guidance to examiners is that a § 101 process must (1) be tied to a machine or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. In re Bilski et al, 88 USPQ 2d 1385 CAFC (2008); Diamond v. Diehr, 450 U.S. 175, 184 (1981); Parker v. Flook, 437 U.S. 584, 588 n.9 (1978); Gottschalk v. Benson, 409 U.S. 63, 70 (1972); Cochrane v. Deener, 94 U.S. 780,787-88 (1876).

An example of a method claim that would not qualify as a statutory process would be a claim that recited purely mental steps. Thus, to qualify as a § 101 statutory process, the claim should positively recite the other statutory class (the thing or product) to which it is tied, for example by identifying the apparatus that accomplishes the method steps, or positively recite the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

Here, appellant's method steps fail the first prong of the new Federal Circuit decision since they are not tied to a machine and can be performed without the use of a particular machine. Thus, claims 51-74, 99, 101, 103 AND 104 are non-statutory since they may be performed within the human mind.

The mere recitation of the machine in the preamble with an absence of a machine in the body of the claim fails to make the claim statutory under 35 USC 101. Note the Board of Patent Appeals Informative Opinion Ex parte Langemyer et al.

(7) Claims Appendix

The copy of the appealed claims contained in the Appendix to the brief is correct.

(8) Evidence Relied Upon

6,415,270

Rackson et al.

07-2002

Fritts, "Private Property, economic efficiency, and spectrum policy in the wake of the C block auction", Federal Communications Law Journal, Los Angeles: May 1999, Vol. 51, Issue 3, page 849.

(9) Grounds of Rejection

The following ground(s) of rejection are applicable to the appealed claims:

Claim Rejections - 35 USC § 103

1. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 51-104 are rejected under 35 U.S.C. 103(a) as being unpatentable over Rackson et al. (US Patent No. 6,415,270) in view of Fritts.

As per claims 51-53, 62, 75-77, 86, 99, 100 and 103, Rackson et al disclose a multi-auction service system for auctioning a plurality of different types of items. The system detects bids at a plurality of remote auction services for an item in order to replicate an optimal bid at each of the remote auction services. See the abstract. Rackson et al state that a seller may sell each of a plurality of different items as a set of items or as each individual item. See column 10, line 64 to column 11, line 8. Rackson et al further state that "the items to be auctioned may therefore be listed once at each remote auction service, more than once in different categories on a remote auction service or more than once in many categories on more than one remote auction

service". See column 11, lines 46-50. Thus a bidder may bid on more than one auction for a quantity of the same or different items. Rackson et al further state:

"The method of the current invention may also be used to coordinate the purchase of more than one of the target item. In another version of the invention, relative value rules may be established where a bidder is bidding on two or more similar but not identical items and only wants a certain number. For example, where there are 2 similar stereos and the bidder says "I will pay a 10% premium for stereo B over stereo A, but never more than \$350 for either". The system will utilize this rule to identify and bid on the items sought with the rule enforcing the bidding preference. Based on the bids encountered the system may alternately bid on one or the other item as the bids progress until the close of the auction. Bidders may optionally define rules for the total price or individual price not to be exceeded for multiple items for a quantity desired such that the bidding is stopped by the multi-auction service. "

This passage emphasizes on constraining inputted bids of a first item based on bids placed for a second item. Rackson et al do not explicitly state that a first item is being auctioned on a first item and a second item is being auctioned on a second auction.

2. Appellant's representative has amended independent claims 51, 63, 75, 99, 100 to recite a first auction is being conducted in association with a second auction of a second set of items, the first set of items being different from the second set of items and argue that such is not present in Rackson et al.

Appellant's representative then argues that Rackson et al do not describe any relation between auctions of different items nor describe constraining the received bids by accepting only bids which satisfy a constraint based on bids in the second auction.

In response, Rackson et al disclose auctioning a plurality of items. Rackson et al state that "if the items are different but make up a set, they would probably be sold together. Alternatively the items could be auctioned separately (implying at least a first auction auctioning

a first item and a second auction auctioning a second item) where each item would be described for sale individually at step 120. If the items were the same, different auction methods could be employed to maximize the final auction price of the items. In one method, one item at a time could be released to remote auction services to be auctioned". Rackson et al do not explicitly state constraining bids by accepting only bids which satisfy a constraint based on bids in the second auction. Fritts discusses a method for auctioning communications spectrum. Fritts further discusses performing a first and a second auction of communication licenses using a computerized system. See page 13 of the discussion of Fritts. Fritts also teaches constraining bids by accepting only bids which satisfy a constraint based on bids in the second auction. Fritts states that "strong synergies exist among licenses and preferences by bidders". See also page 13 of Fritts. It would have been obvious to one of ordinary skill in the art at the time the invention was made to incorporate the teachings of Fritts into Rackson et al in order to allow bidders to bid on a first item being auctioned at a first auction and a second item being auctioned at a second auction thereby providing a system in which bidders may bid on compatible products/services in one stop or system.

Steps of assigning the first set of items to bidders based on the bids in force at the time the computer-implemented auction was terminated is routinely done in most auction systems as such would have been obvious for one of ordinary skill in the art to do in the system of Rackson et al and Fritts in order to provide winners their winning items.

As per claims 61, 85, Rackson et al disclose various options for terminating an auction. If no new bids are submitted, the auction may be terminated based on the currently submitted bid

or time. Also, in the system of Rackson et al., new bidding information is being transmitted to bidders in the event that the computer-implemented auction is not terminated.

As per claims 54-60 and 78-84, the teachings of Rackson et al are discussed above. Rackson et al do not explicitly state the items in the second set are communication licenses and items in the first set are clearing rights related to communications licenses or the items are airport landing rights.

Granting of a first license that requires another license is well known in the art of communication and that one license may work in complement with another license. See the teachings of Brian Frits at page 13 of the article entitled "Private property, economic efficiency and spectrum policy in the wake of the C block auction". Having complementary objects as taught by Frits in the system of Rackson et al would have been obvious to one of ordinary skill in the art at the time of the invention in order to increase the efficiency of auction allocation and to allow an entity to enter a package bid for a group of associated licenses.

As per claims 63-74, 87-98, 101, 102 and 104, the teachings of Rackson et al and Frits are discussed above. These claims contain features recited in the claims 51-60 and these claims are rejected under a similar rationale applied therein. Thus, appellant is directed to the above noted rejection.

Claims 63 and 87, 101, 102 and 104 have been amended to recite a function of "eliminating each of the conditional bids which fail to satisfy any of their conditions, and thereafter assigning the first set of items to bidders in force subsequent to the eliminating of the

conditional bids which fail to satisfy any of their conditions". As per this limitation, both Rakson et al and Fritts discuss various bidding rules. The examiner asserts that if a conditional bid does not satisfy a certain bidding rule or requirement, eliminating each of the conditional bids which fail to satisfy certain conditions and thereafter assigning the first set of items to bidders based on bids in force subsequent to the eliminating function would have been obvious to one of ordinary skill in the art to do because only bidders satisfying all requirements and while placing a proper bid would have been awarded the bid items.

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 51-74, 99, 101, 103 AND 104 are rejected under 35 U.S.C. 101. Based on Supreme Court precedent and recent Federal Circuit decisions, the Office's guidance to examiners is that a § 101 process must (1) be tied to a machine or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. In re Bilski et al, 88 USPQ 2d 1385 CAFC (2008); Diamond v. Diehr, 450 U.S. 175, 184 (1981); Parker v. Flook, 437 U.S. 584, 588 n.9 (1978); Gottschalk v. Benson, 409 U.S. 63, 70 (1972); Cochrane v. Deener, 94 U.S. 780,787-88 (1876).

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positively recite the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

Here, appellant's method steps fail the first prong of the new Federal Circuit decision since they are not tied to a machine and can be performed without the use of a particular machine. Thus, claims 51-74, 99, 101, 103 AND 104 are non-statutory since they may be performed within the human mind.

The mere recitation of the machine in the preamble with an absence of a machine in the body of the claim fails to make the claim statutory under 35 USC 101. Note the Board of Patent Appeals Informative Opinion Ex parte Langemyer et al.

(10) Response to Argument

Appellant provides a brief description of the Rackson reference and states that "the Rackson patent does not described conducting an auction at all. Rather the Rackson patent describes monitoring a set of auctions which are conducted by undisclosed apparatus and methods, at times, replicating a bid offered in one auction so that a bid may appear in another auction".

In response, Rackson is directed to an auction system in which a user accesses a multi-auction service system, selects a desired item, and specifies rules to apply in bidding for the desired item. The multi-auction system then places a bid set by the multi auction system or the user. The bid is replicated at one or more remote auction systems so that the user or bidder achieves his/her purchasing objectives of a best price across the plurality of remote auction sites. Thus, Rackson does teach conducting an auction because Rackson a user in the system of Rackson "specifies to the multi-auction service the item type to be bid upon, the

bidder specifying to the multi-auction service the rules for bidding, the bidder or the multi-auction service the rules for bidding the bidder or the multi-auction service determining which items at the remote auction services match the bidder requested item, the multi-auction service periodically checking each of the remote auction sites to determine which site and item to bid on, and the multi-auction service placing bids on the item specified at the remote auction services such that a unique and optimal bid is active at only one of the remote auction services at a moment in time and is placed according to the bidder specified rules. In another embodiment, the bidder may specify rules regarding the bidder's preference for one or more identical, or similar, items sought”.

In effect, the multi auction system of Rackson places bids for a bidder based on the bidder's preferences for one or more items being auctioned at one or more other auction systems. The other auction systems are well used and were well known in the art at the time of the appellant's invention. The other auction systems are discussed on column 4, line 23 to column 5, line 50 and column 8, lines 13-48 of Rackson. Thus, the system of Rackson is also an auction system and takes a user's bid to be placed at one or more other remote auction systems.

Appellant then provides a brief description of the Fritts reference and states that the combinatorial bidding and the complementary bidding process described by Fritts may relate to “conducting an auction (SAA) in which plural items are offered simultaneously and in which an item in the auction may be the complement to another item in the auction” and that Fritts does not mention conditional bids or provide constraints on items being auctioned.

In response, Fritts describes past and present methods that the Federal Communications Commission (FCC) is used to auction licenses. Fritts states that the FCC is not advised to use traditional auctions in auctioning communication licenses. Fritts states that “there are close substitutes for most licenses, and licenses are complementary. Complementary licenses are important because it means that the individual license is more valuable depending upon whether the user holds licenses for the contiguous area”. This means that it is more efficient for some bidders to win licenses within contiguous areas. The SAA form of auction is efficient in this regard because of the simultaneous and ascending features of the auction...”.

The FCC is experimenting with combinatorial bidding to increase auction efficiency. See page 19 of Fritts specifically the section entitled “Efficient Auctions”.

Thus, Fritts clearly teaches that it is best for the FCC to conduct auctions for complementary licenses because a service provider would want to have an aggregation of service in a given area. See page 4 of the article.

Appellant then argues that Fritts does not disclose constraining received bids by accepting only bids that satisfy a constraint based on bids in the second auction.

In response, Fritts describes that it is best for the FCC to conduct auction of complementary licenses. Thus, the complementary licenses are obtained based on the grant of a compatible license through a combinatorial bidding. This implies that a service provider desires to obtain a given license if another type or complementary license is obtained or won through the complementary license. On page 13 of the article by Fritts, an example is given in which a service provider or bidder places a bid for three different complementary licenses. Fritts

Art Unit: 3696

explains that all three licenses must be obtained for the service provider to provide services to customers in a wide range area. As per the arguments that Fritts does not teach constraining bids, the Examiner asserts that in most auctions, bids are usually being constrained based on the desired amount, quantity and price that the bidder is placed on the desired item. Furthermore, it should be noted that if all three items are desired, this in itself is a type of constraints since the service provider only desires all three licenses not one or two different licenses because all three licenses are complementary licenses. Fritts further states that “strong synergies exist among licenses and preferences by bidders. From this passage, it would have been obvious to one of ordinary skill in the art to note that a service provider would desire complementary licenses to cover a wide geographic area or so as to provide different types of communications services thereby increasing the market size and potential profit of that service provider.

Appellant then argues that even assuming the Examiner’s rationale is correct in the fact that Fritts teaches constraining bids, the constraining bids of Fritts has no relations to that of Rackson.

In response, the Examiner disagrees because the Examiner had indicated that Rackson et al do not explicitly teach constraining bids in the manner as claimed (such as constraining bids by accepting only bids which satisfy a constraint based on bids in the second auction”. Instead, Rackson teaches auctioning items together or separately based on preferences and or based on the types of items. See column 10, line 64 to column 11, line 32 of Rackson. Fritts further teaches auctioning complementary items whereby a service provider needs to win a number of complementary items. See page 13 of Fritts. Thus, it would have been obvious to one of

Art Unit: 3696

ordinary skill in the art at the time the invention was made to incorporate the teachings of Fritts into the system of Rackson et al in order to allow a user to bid on a number of complementary items such as communication licenses thereby providing a flexible system and also to expand the coverage area of a service provider.

Appellant then states that the conditional bid found in claims 63, 87, 101, 102 and 104 are not found in the combination of Rackson et al and Fritts.

In response, Rackson et al teach providing rules and preferences in bidding for a desired item. The Examiner notes that the rules and preferences described by Rackson et al are similar to conditions that must satisfy the preferences of a bidder as set forth by the bidder. Thus, eliminating any of the conditional bids which fail to satisfy certain conditions would have been apparent or obvious to the one of ordinary skill in the art because simply they do not meet the desirability and preferences of the bidder. Furthermore, Fritts teaches that a service provider would want to win a number of complementary licenses in order to provide a desired service. If one of the complementary licenses is not attainable, then winning the remaining licenses would be worthless. Thus, eliminating each of the conditional bids which fail to satisfy any of their conditions would have been obvious to the one of ordinary skill in the art in the combination of Rackson et al and Fritts because they would have no significant meaning to the bidder or seller since they do not meet desired preferences.

(11) Related Proceeding(s) Appendix

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

Art Unit: 3696

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

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